

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1813 - SB 2012

March 25, 2014

SUMMARY OF ORIGINAL BILL: Requires every individual or group health insurance policy providing coverage on an expense-incurred basis, every policy or contract issued by a hospital or medical services corporation, every individual or group service contract issued by a health maintenance organization (HMO), and every self-insured group arrangement to, by January 1, 2015, to provide coverage for acupuncture services.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$1,302,500/FY14-15
\$1,302,500/FY15-16

Other Fiscal Impact – Federal essential health benefits will be reevaluated in calendar year 2016. It is unknown what benefit requirements will be after the reevaluation. If acupuncture is not included as an essential health benefit at that time, annual state expenditures will exceed \$2,605,000 to cover the costs.

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums for acupuncture benefits being provided by plans that do not currently offer these benefits at the proposed mandated levels. Due to federal regulations, the state will cover the increased premium costs for enrollees in qualified health plans; therefore, any increase to individuals or businesses for the increased premiums will not be significant.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$1,302,500/FY14-15
\$1,302,500/FY15-16

Increase Business Expenditures - \$1,302,500/FY14-15
\$1,302,500/FY15-16

SUMMARY OF AMENDMENT (015010): Specifies that this act shall not apply to non-grandfathered health plans that are required to include essential health benefits under the Patient Protection and Affordable Care Act (PPACA).

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Not Significant

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums by at least one percent for acupuncture benefits being provided by plans that do not currently offer these benefits at the proposed mandated levels. A one percent increase in premium rates could range between \$50 (single coverage) and \$140 (family coverage).

Assumptions for the bill as amended:

- According to TennCare, acupuncture is currently a covered benefit when considered medically necessary; therefore this will have no significant impact on any plan it administers.
- According to the Department of Finance and Administration, Division of Benefits Administration, plans administered by the Division currently provide coverage for acupuncture under certain circumstances.
- According to the Division, this act does not expand any plan's coverage limits for acupuncture services.
- According to the Department of Commerce and Insurance (DCI), the language directs that all PPACA-compliant plans are exempted from the provisions of this bill, including all qualified health plans; therefore, this will have no significant fiscal impact upon the state.
- Private sector health insurance premium impact: The provisions of the bill will result in an increase in covered individuals receiving benefits for acupuncture. Health insurance premiums will increase to cover the costs of the additional benefits. According to the *Health Insurance Mandates in the States 2010* report by the Council for Affordable Health Insurance (CAHI), the estimated cost to health insurance for acupuncture benefits will be at least one percent of the total premiums nationwide. Based on a 2011 report by the Fiscal Review Committee staff, a one percent increase in premium rates will range between \$50 (single coverage) and \$140 (family coverage) on average depending on the type of plan.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Fiscal Impact - Any increase in costs for insurers to provide acupuncture coverage will be offset by a corresponding increase in premiums across the board. Due a multiple unknown factors, any increase in business revenue for businesses providing acupuncture services is unable to be determined.

Assumptions for the bill as amended:

- Due to a number of unknown factors, the exact impact to private health insurers and healthcare providers cannot be reasonably determined.
- It is estimated that requiring acupuncture will increase costs for any private health insurance providers not offering this benefit.
- Insurance providers would increase premiums across the board to cover any additional costs incurred to provide acupuncture.
- This may result in expenditures for businesses which provide health insurance for its employees. Due to a number of unknown factors, this amount is unable to be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb